



SCHEDULE A

2014/15 DRAFT ANNUAL BUDGET AND SUPPORTING DOCUMENTATION OF OKHAHLAMBA LOCAL MUNICIPALITY

**ANNUAL DRAFT BUDGET OF
OKHAHLAMBA LOCAL MUNICIPALITY A**

**2014/15 TO 2016/17
MEDIUM TERM REVENUE AND
EXPENDITURE FORECASTS**

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Abbreviations and Acronyms

BPC	Budget Planning Committee	MIG	Municipal Infrastructure Grant Programme
CFO	Chief Financial Officer	MMC	Member of Mayoral Committee
MM	Municipal Manager	MPRA	Municipal Properties Rates Act
CPI	Consumer Price Index	MSA	Municipal Systems Act
DoRA	Division of Revenue Act	MTEF	Medium-term Expenditure Framework
EE	Employment Equity	MTREF	Medium-term Revenue and Expenditure Framework
M	Mayor	NGO	Non-Governmental organisations
FBS	Free basic services	OP	Operational Plan
GAMAP	Generally Accepted Municipal Accounting Practice	PBO	Public Benefit Organisations
GDP	Gross domestic product	PHC	Provincial Health Care
GDS	Gauteng Growth and Development Strategy	PMS	Performance Management System
GFS	Government Financial Statistics	PPE	Property Plant and Equipment
GRAP	General Recognised Accounting Practice	DC	District
HR	Human Resources	SALGA	South African Local Government Association
IDP	Integrated Development Strategy	SAPS	South African Police Service
EXCO	Executive Council Committee	SDBIP	Service Delivery Budget Implementation Plan
MFMA	Municipal Financial Management Act	SMME	Small Micro and Medium Enterprises

Part 1 – Annual Budget

1.1 Mayor's Report

MAYORAL 2014/15 BUDGET SPEECH

Honourable Speaker, Cllr G Ndaba

Deputy Mayor of Okhahlamba Local Municipality: Cllr SZ Khumalo

Members of the Council of Okhahlamba Local Municipality

Councillors present

Officials and all protocol observed

Greetings to all

Chairperson, Mr Speaker, I would like to greet you and all members of the council, officials and all stakeholders representatives, and I hereby present Annual Budget for 2014/2015 financial year as outlined in the Municipal Finance Management Act. (MFMA, Section 16 (2) of MFMA in relation to the tabling of Annual Budget, I would like to express my disappointment on Electrification (INEP) Grant that was withheld by National Treasury from our Equitable share portion, an amount of R 3.5ml as unspent balance from 2012/2013 financial year, of which we all aware of the consequences the Municipality had faced regarding Free State Province pertaining the Electrification Projects currently in progress at Thintwa Village, the Municipality tried to motivate to National Treasury not to take funds back but unfortunately the money was taken back, it was impossible to cancel the project as the project was already 50% completed at that stage, however the Municipality tried to fund the programme from our Equitable share and savings this current financial year (2013/2014) and the budgeting financial year 2014/2015. I would like to highlight the following items:

Operating Budget	: R 116 million
Capital Budget Expenditure	: R 48 million
Total Budget	: R 164 million

Honourable Speaker and Councillors, this report reflects the wishes and aspirations of the people of Okhahlamba and it is aligned with the priorities set by Treasury (circular 70,71 & 72) and it is in line with the Okhahlamba SDBIP and IDP priorities which according to my administration's point of view should be implemented at a Local Level after considering the needs of the Community, Councillors I would also like to highlight this, Okhahlamba Local Municipality has archived 100% spending on 2012/2013 financial year on Municipal Infrastructure Grant of which it was a good performance in terms of community service delivery which is the priority of Umkhandlu wasoKhahlamba. I would like to grant council members a chance to look into the content and more details are contained in the attached reports.

As I conclude I would like council members to have in mind the need to provide quality services to our community and for Umkhandlu wasoKhahlamba to maintain the 2012/2013 Audit report from Auditor-General when considering Final Budget, I thank you for this wonderful opportunity granted to me to present this Budget to the Council of Okhahlamba.

Thank you.

1. DRAFT CAPITAL BUDGET

Council has set aside a projected capital funding of R 48412 352, of which R26 million from MIG, R6 million from INEP and R15 million from Owner Resaves.

The 2014-2015 Draft Annual Budget:

EXPENDITURE	TOTAL 2014/2015 Annual Budget
RESERVES	
PURCHASE OF BUILDING	7 500 000.00
TRAFFIC VEHICLES	
MUNICIPAL VEHICLE	500 000.00
FINANCIAL SYSTEM	400 000.00
CEMENTRIES	500 000.00
BERGVILLE TAX RANK LIGHTING LONG DISTANCE	200 000.00
WINTERTON CRAFT HUB	1 000 000.00
CONSTRUCTION OF FOOT BRIDGES	2 000 000.00
OTHER GRANTS	
ELECTRIFICATION(INEP)	6 000 000.00
CONSTRUCTION OF VEHICLE TESTING & LICENSING & DISASTER MANAGEMENT CERNTRE	4 000 000.00
MIG	
KHETHANI COMMUNITY HALL	6 000 000.00
BERGVILLE TARRED ROAD	4 125 000.00
MAHAMBEHLALA GRAVELL ROAD	2 464 780.00
MAGANGANGOZI COMMUNITY HALL & CRECHE	1 905 308.00
KWASGUBHU VEHILE BRIDGE	1 200 000.00
EMAFUSINI GRAVEL ROAD	2 381 712.00
STHEBE GRAVEL ROAD	2 471 962.00
NTABENI PONTSHINI GRAVEL ROAD	1 454 840.00
RESERVE C GRAVEL ROAD	1 308 750.00
OKHOMBE PEDESTRIAN BRIDGE	

NGOBA COMMUNITY HALL & CRECHE	
GRAVEL ROADS REHABILITATION IN ALL 14 WARDS (KEKEKNI, EMAPHOPHOMANE /TACC , KNWAZINI Phase 2)	3 000 000.00
TOTAL EXPENDITURE	48 412 352.00

2. DRAFT OPERATIONAL BUDGET

Council has approved funding for provision of bad debt, indigent provision and debt impairment to cushion against any shortfall in anticipated revenue. The indigent register is the process of completion which once the process is finalized council has to decide on the way forward. This would require council to conclude on whether we impose an automatic indigent on the bases of property values or by application or a combination of both.

REVENUE AND EXPENDITURE

In the projection of our income the following has been taken into consideration:

- The ability of the community to pay for services received
- The effect on the consumer accounts
- The realistic revenue estimates taking into consideration actual income available and estimates growth percentage
- Identification of grants from National and other agencies
- The impact of the inflation and costs increase
- The requirements of the tariff policy
- Municipal Property Rates Policies
- Credible collection rates and collection improvements targets

The municipal revenue is based on rates and refuse collection services. There is a projected increase in rates of 6.2%, which will allow the rate payers, especially residents to pay for their rates. There has been resistance by the public in the payment of rates, this due to the history of non-delivery of services in the municipality. Refuse tariff will further increase by the same margin 6.2%.

There is plan to procure the services of a legal service to assist in the collection of debts from our defaulters.

In closing, there municipality intends to ensure that we remain focus in costs cutting measures that do not add value to services delivery. Furthermore, there is a drive to achieve at least R30 000 000 in a long

term-investment, and thus shall maintain our gearing at 50%, liquidity ration at 2.5 and our asset ration at 4.1.

1.2 Council Resolutions

EXTRACT OF THE RESOLUTION FROM THE MINUTES OF THE SPECIAL COUNCIL MEETING HELD ON WEDNESDAY THE 19TH MARCH 2014 IN THE MUNICIPAL COUNCIL CHAMBER, NO. 259 KINGSWAY STREET, BERGVILLE AT 10H00

9.1 Draft Annual Budget and Draft IDP for 2014/ 2015 Financial Year

The Municipal Manager, Mr. S. D. Sibande elaborated as per the draft Budget report attached in the Executive Committee agenda dated the 18th March 2014. He indicated that the Municipality received a Circular No. 72/2014 from the National Treasury confirming 6.2% income section increase to the draft budget which was presented at the Workshop on Monday the 17th March 2014.

The Director Technical Services, Mr. S. N. Malinga elaborated as per the detailed draft Integrated Development Plan for 2014/ 2015 financial year to be aligned to the budget. After few enquiries, Mr. S. N. Malinga clarified that the R40.00 would be once-off payment to be paid by Solar Beneficiaries and monthly R20.00 would be for maintenance purposes. He added that the beneficiaries would be paying directly to the Service Provider as per the agreement.

It was suggested that the records of families be kept by the municipal officials for maintenance purposes.

After a short deliberation and following a proposal from Councillor B. E. Nene seconded by Councillor M. W. Hadebe.

It was accordingly;

RESOLVED THAT:

- **The Draft Budget with its related policies and Integrated Development Plan for 2014/ 2015 financial year be approved**

1.3 Executive Summary

The application of sound financial management principles for the compilation of the Okhahlamba financial plan is essential and critical to ensure that the Municipality remains financially viable and that municipal services are provided sustainably, economically and equitably to all communities.

The Okhahlamba business and service delivery priorities were reviewed as part of this year's planning and budget process. Where appropriate, funds were transferred from low- to high-priority programmes so as to maintain sound financial stewardship. A critical review was also undertaken of expenditures on noncore and 'nice to have' items. This has resulted in savings to the municipality of nearly R48 million or 10 percent of the current financial year's adjusted budget. Key areas where savings were realized were on telephone and internet usage, printing, workshops, overseas and national travel, accommodation, and catering.

The Municipality has embarked on implementing a range of revenue collection strategies to optimize the collection of debt owed by consumers. Furthermore, the Okhahlamba has undertaken various customer care initiatives to ensure the municipality truly involves all citizens in the process of ensuring a people lead government.

National Treasury's MFMA Circular No. 70,71 and 72 were used to guide the compilation of the 2012/13 MTREF.

The main challenges experienced during the compilation of the 2014/15 MTREF can be summarised as follows:

- The ongoing difficulties in the national and local economy;
- Aging and poorly maintained water, roads and electricity infrastructure;
- The need to reprioritise projects and expenditure within the existing resource envelope given the cash flow realities and declining cash position of the municipality;
- Wage increases for municipal staff that continue to exceed consumer inflation, as well as the need to fill critical vacancies;
- Affordability of capital projects – original allocations had to be reduced and the operational expenditure associated with prior year's capital investments needed to be factored into the budget as part of the 2014/15 MTREF process; and
- Availability of affordable capital/borrowing.

The following budget principles and guidelines directly informed the compilation of the 2014/15 MTREF:

- The 2014/15 Draft Budget priorities and targets, as well as the base line allocations contained in that Draft Budget were adopted as the upper limits for the new baselines for the 2014/15 annual budget;
- Intermediate service level standards were used to inform the measurable objectives, targets and backlog eradication goals;
- Tariff and property rate increases should be affordable and should generally not exceed inflation as measured by the CPI, except where there are price increases in the inputs of services that are beyond the control of the municipality, for instance the cost of bulk water and electricity. In addition, tariffs need to remain or move towards being cost reflective, and should take into account the need to address infrastructure backlogs;

- There will be no budget allocated to national and provincial funded projects unless the necessary grants to the municipality are reflected in the national and provincial budget and have been gazetted as required by the annual Division of Revenue Act;

In view of the aforementioned, the following table is a consolidated overview of the proposed 2014/15 Draft Revenue and Expenditure Framework:

Table 1 Consolidated Overview of the 2012/13 MTREF

Insete table Expenditure /Revenue

Total operating revenue has grown by 6.2% or R116 million for the 2014/15 financial year when compared to the 2012/14 Adjustments Budget. For the two outer years, operational revenue will increase by 6.2% respectively

Total operating expenditure for the 2014/15 financial year has been appropriated at R110 million and When compared to the Adjustments Budget, operational expenditure has grown by 5.6% per cent in the 2012/13 budget and by 5.6% for each of the respective outer years of the MTREF. The operating surplus for the two outer years steadily increases to R6 million and then stabilize at R6 million. These surpluses will be used to fund capital expenditure and to further ensure cash backing of reserves and funds.

The capital budget of R48 million for 2014/15 is 26% less when compared to the 2013/14 Adjustment Budget.

Operating Revenue Framework

For Okhahlamba Local Municipality to continue improving the quality of services provided to its citizens it needs to generate the required revenue. In these tough economic times strong revenue management is fundamental to the financial sustainability of every municipality. The reality is that we are faced with development backlogs and poverty. The expenditure required to address these challenges will inevitably always exceed available funding; hence difficult choices have to be made in relation to tariff increases and balancing expenditures against realistically anticipated revenues.

The municipality's revenue strategy is built around the following key components:

- National Treasury's guidelines and macroeconomic policy;
- Growth in Okhahlamba and continued economic development;
- Efficient revenue management, which aims to ensure a 95 % annual collection rate for property rates and other key service charges;
- Determining the tariff escalation rate by establishing/calculating the revenue requirement of each service;
- The municipality's Property Rates Policy approved in terms of the Municipal Property Rates Act, 2004 (Act 6 of 2004) (MPRA);

- Increase ability to extend new services and recover costs;
- The municipality's Indigent Policy and rendering of free basic services; and
- Tariff policies of Okhahlamba Local Municipality.

The following table is a summary of the 2014/15 MTREF (classified by main revenue source):

Table 2 Summary of revenue classified by main revenue source

Description	Ref	Vote 1 - Council	Vote 2 - Municipal Manager	Vote 3 - Corporate	Vote 4 - Budget and Treasury	Vote 5 - Tourism	Vote 6 - Library	Vote 7 - Museum	Vote 8 - Social Services	Vote 9 - Traffic	Vote 10 - Technical	Housing	Health Clinic	Solid Waste	Vote 14 - [NAME OF VOTE 14]	Vote 15 - [NAME OF VOTE 15]	Total
R thousand	1																
Revenue By Source																	
Property rates					23,441												23,441
Property rates - penalties & collection charges					1,823												1,823
Service charges - electricity revenue																	-
Service charges - water revenue																	-
Service charges - sanitation revenue																	-
Service charges - refuse revenue		365															365
Service charges - other																	-
Rental of facilities and equipment						53											53
Interest earned - external investments					2,800												2,800
Interest earned - outstanding debtors																	-
Dividends received																	-
Fines										200							200
Licences and permits					59	159	17			561	692						1,488
Agency services					546	1,411											1,957
Other revenue					297												297
Transfers recognised - operational		79,269			2,734		737	299			1,200						84,239
Gains on disposal of PPE																	-
Total Revenue (excluding capital transfers and contributions)		79,634	-	-	31,700	1,623	754	299	-	761	1,892	-	-	-	-	-	116,663

Table 3 Percentage growth in revenue by main revenue source

In line with the formats prescribed by the Municipal Budget and Reporting Regulations, capital transfers and contributions are excluded from the operating statement, as inclusion of these revenue sources would distort the calculation of the operating surplus/deficit.

Revenue generated from rates and services charges forms a significant percentage of the revenue basket for Okhahlamba. Rates and service charge revenues comprise more than two

thirds of the total revenue mix. In the 2014/15 financial year, revenue from rates and services charges totaled R 25 million or 6.2 %

Operating grants and transfers totals R73 million in the 2013/14 financial year and steadily increases to R11 million by 2014/15. The following table gives a breakdown of the various operating grants and subsidies allocated to the municipality over the medium term:

Table 4 Operating Transfers and Grant Receipts

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
RECEIPTS:	1, 2									
Operating Transfers and Grants										
National Government:		46,492	56,048	64,794	72,661	72,811	72,811	83,203	100,927	97,758
Local Government Equitable Share		44,542	54,262	62,494	69,121	69,121	69,121	79,289	98,010	97,758
EPWP					1,000	1,000	1,000	1,200		
Finance Management		1,200	1,258	1,500	1,650	1,650	1,650	1,800	1,950	
Municipal Systems Improvement		750	528	800	890	890	890	934	967	
Sports Grant						150	150			
Other transfers/grants (insert description)										
Provincial Government:		1,500	–	150	–	–	–	–	–	–
Sport and Recreation				150						
Provincialisation of Library		1,500								
District Municipality:		–	–	–	–	–	–	–	–	–
(insert description)										
Other grant providers:		–	–	–	991	1,091	1,091	1,036	1,090	331
Library Subsidy					807	807	807	737	776	
Museum subsidy					184	284	284	299	314	331
Total Operating Transfers and Grants	5	47,992	56,048	64,944	73,652	73,902	73,902	84,239	102,017	98,089
Capital Transfers and Grants										
National Government:		12,360	19,153	25,094	24,610	24,610	–	32,537	39,689	40,783
Municipal Infrastructure Grant (MIG)		12,360	19,153	23,233	24,610	24,610		26,537	27,689	28,783
National electrification Programme				1,861				6,000	12,000	12,000
Provincial Government:		5,600	–	10,900	–	–	–	–	–	–
Smalltown Rehab		5,600		10,900						
District Municipality:		–	–	–	–	–	–	–	–	–
(insert description)										
Other grant providers:		–	–	–	–	–	–	–	–	–
Library Subsidy										
Total Capital Transfers and Grants	5	17,960	19,153	35,994	24,610	24,610	–	32,537	39,689	40,783
TOTAL RECEIPTS OF TRANSFERS & GRANTS		65,952	75,201	100,938	98,262	98,512	73,902	116,776	141,706	138,872

Tariff-setting is a pivotal and strategic part of the compilation of any budget. When rates, tariffs and other charges were revised, local economic conditions, input costs and the affordability of services were taken into account to ensure the financial sustainability of Okhahlamba.

National Treasury continues to encourage municipalities to keep increases in rates, tariffs and other charges as low as possible. Municipalities must justify in their budget documentation all increases in excess of the 6.2 % upper boundary of the South African Reserve Bank's inflation target. Excessive increases are likely to be counterproductive, resulting in higher levels of non-payment.

1.3.1 Property Rates

Property rates cover the cost of the provision of general services. Determining the effective property rate tariff is therefore an integral part of the municipality's budgeting process.

National Treasury's MFMA Circular No. 51 deals, inter alia with the implementation of the Municipal Property Rates Act, with the regulations issued by the Department of Co-operative Governance. These regulations came into effect on 1 July 2009 and prescribe the rate ratio for the non-residential categories, public service infrastructure and agricultural properties relative to residential properties to be 0, 25:1. The implementation of these regulations was done in the previous budget process and the Property Rates Policy of the Municipality has been amended accordingly.

The following stipulations in the Property Rates Policy are highlighted:

- The first R15 000 of the market value of a property used for residential purposes is excluded from the rate-able value (Section 17(h) of the MPRA).
- R 85.80 rebate for first R15000 will be granted on all residential properties (including state owned residential properties);
- 100 per cent rebate will be granted to registered indigents in terms of the Indigent Policy;
- For pensioners, physically and mentally disabled persons, a maximum/total rebate of 50 per cent (calculated on a sliding scale) will be granted to owners of rate-able property if the total gross income of the applicant and/or his/her spouse, if any, does not exceed the amount equal to twice the annual state pension as approved by the National Government for a financial year. In this regard the following stipulations are relevant:
 - The rate-able property concerned must be occupied only by the applicant and his/her spouse, if any, and by dependants without income;
 - The applicant must submit proof of his/her age and identity and, in the case of a physically or mentally handicapped person, proof of certification by a Medical Officer of Health, also proof of the annual income from a social pension;
 - The applicant's account must be paid in full, or if not, an arrangement to pay the debt should be in place; and
 - The property must be categorized as residential.
- The Municipality may award a 100 per cent grant-in-aid on the assessment rates of rate-able properties of certain classes such as registered welfare organizations, institutions or organizations performing charitable work, sports grounds used for purposes of amateur

sport. The owner of such a property must apply to the Chief Financial Officer in the prescribed format for such a grant.

The categories of rate-able properties for purposes of levying rates and the proposed rates for the 2014/15 financial year based on a 6.2 % increase from 1 July 2014 is contained below:

Table 5 Comparison of proposed rates to levied for the 2011/12 financial year

Category	Current Tariff (1 July 2013)	Proposed tariff (from 1 July 2014)
	c	c
Residential properties	0.0062	0.01
State owned properties	0.0062	0.01
Business & Commercial	0.0062	0.01
Agricultural	0,00155	0,00164
Vacant land	0.0062	.0.01
Municipal rateable	0.0062	0.01
Industrial	0.0062	0.01

1.3.2 Waste Removal and Impact of Tariff Increases

Currently solid waste removal is operating at a deficit. It is widely accepted that the rendering of this service should at least break even, which is currently not the case. Okhahlamba will have to implement a solid waste strategy to ensure that this service can be rendered in a sustainable manner over the medium to long-term. The main contributors to this deficit are repairs and maintenance on vehicles, increases in general expenditure such as petrol and diesel and the cost of remuneration. Considering the deficit, it is recommended that a comprehensive investigation into the cost structure of solid waste function be undertaken, and that this include investigating alternative service delivery models. The outcomes of this investigation will be incorporated into the next planning cycle.

A 6.2% increase in the waste removal tariff is proposed from 1 July 2014. Higher increases will not be viable in 2014/15 owing to the significant increases implemented in previous financial years as well as the overall impact of higher than inflation increases of other services. Any increase higher than 6.2% would be counter-productive and will result in affordability challenges for individual rates payers raising the risk associated with bad debt.

1.4 Operating Expenditure Framework

Okhahlamba expenditure framework for the 2014/15 budget and MTREF is informed by the following:

- The asset renewal strategy and the repairs and maintenance plan;
- Funding of the budget over the medium-term as informed by Section 18 and 19 of the MFMA;

- The capital programme is aligned to the asset renewal strategy and backlog eradication plan;
- Operational gains and efficiencies will be directed to funding the capital budget and other core services; and
- Strict adherence to the principle of *no project plans no budget*. If there is no business plan no funding allocation can be made.

The budgeted allocation for employee related costs for the 2014/15 financial year totals R38 million, which equals 35% of the total operating expenditure. An annual increase of 6 per cent has been included in the two outer years of the MTREF. As part of Okhahlamba cost reprioritization and cash management strategy vacancies have been significantly rationalized downwards.

The cost associated with the remuneration of councillors is determined by the Minister of Co-operative Governance and Traditional Affairs in accordance with the Remuneration of Public Office Bearers Act, 1998 (Act 20 of 1998). The most recent proclamation in this regard has been taken into account in compiling Okhahlamba Local Municipality budget.

Provision for depreciation and asset impairment has been informed by the Municipality's Asset Management Policy. Depreciation is widely considered a proxy for the measurement of the rate asset consumption. Budget appropriations in this regard total R 16 million for the 2012/13 financial and equates to 15 % of the total operating expenditure. Note that the implementation of GRAP 17 accounting standard has meant bringing a range of assets previously not included in the assets register onto the register. This has resulted in a significant increase in depreciation relative to previous years.

Finance charges consist primarily of the repayment of interest on long-term borrowing (cost of capital). Finance charges make up 4.5 per cent (R15 million)

Other materials comprise of amongst others the purchase of fuel, diesel, materials for maintenance, cleaning materials and chemicals. In line with the Municipality repairs and maintenance plan this group of expenditure has been prioritised to ensure sustainability of the Municipality infrastructure. For 2012/13 the appropriation against this group of expenditure has grown by 5.6% and continues to grow at 5.6% for the two outer years

A contracted service has been identified as a cost saving area for the Municipality. As part of the compilation of the 2014/15 MTREF this group of expenditure was critically evaluated and operational efficiencies were enforced. In the 2014/15 financial year, this group of expenditure has escalated by just 5.6 %, clearly demonstrating the application of cost efficiencies. For the two outer years growth has been limited to 6 %. As part of the process of identifying further cost efficiencies, a business process reengineering project will commence in the 2014/15 financial year to identify alternative practices and procedures, including building in-house capacity for certain activities that are currently being contracted out.

1.4.1 Priority given to repairs and maintenance

Aligned to the priority being given to preserving and maintaining the Municipality current infrastructure, the 2014/15 budget and MTREF provide for extensive growth in the area of asset

maintenance, as informed by the asset renewal strategy and repairs and maintenance plan of the Municipality. In terms of the Municipal Budget and Reporting Regulations, operational repairs and maintenance is not considered a direct expenditure driver but an outcome of certain other expenditures, such as remuneration, purchases of materials and contracted services. Considering these cost drivers.

During the compilation of the 2014/15 MTREF operational repairs and maintenance was identified as a strategic imperative owing to the aging of the Municipal infrastructure and historic deferred maintenance. To this end, repairs and maintenance was substantially increase by 30 % in the 2014/15 financial year, from R 7 million to R10 million. The total allocation for 2013/14 equates to R 7 million a growth of 30% in relation to the Adjustment Budget and continues to grow at 5.6% over the MTREF. In relation to the total operating expenditure, repairs and maintenance comprises of 5.6 % for the respective financial years of the MTREF.

The table below provides a breakdown of the repairs and maintenance in relation to asset class:

1.4.2 Free Basic Services: Basic Social Services Package

The social package assists households that are poor or face other circumstances that limit their ability to pay for services. To receive these free services the households are required to register in terms of the Municipal Indigent Policy. The target is to register 20 000 or more indigent households during the 204/15 financial year, a process reviewed annually

The cost of the social package of the registered indigent households is largely financed by national government through the local government equitable share received in terms of the annual Division of Revenue Act.

1.5 Capital expenditure

For 2014/15 an amount of R48 Million has been appropriated for the development of infrastructure which represents 69% of the total capital budget

Total Capital budgeted for are as follow

EXPENDITURE	TOTAL 2014/2015 Annual Budget
PURCHASE OF BUILDING	7 500 000.00
TRAFFIC VEHICLES	
MUNICIPAL VEHICLE	500 000.00
FINANCIAL SYSTEM	400 000.00
CEMENTRIES	500 000.00
BERGVILLE TAX RANK LIGHTING LONG DISTANCE	200 000.00
WINTERTON CRAFT HUB	1 000 000.00
CONSTRUCTION OF FOOT BRIDGES	2 000 000.00
ELECTRIFICATION(INEP)	6 000 000.00

CONSTRUCTION OF VEHICLE TESTING & LICENSING & DISASTER MANAGEMENT CERNTRE	4 000 000.00
KHETHANI COMMUNITY HALL	6 000 000.00
BERGVILLE TARRED ROAD	4 125 000.00
MAHAMBEHLALA GRAVELL ROAD	2 464 780.00
MAGANGANGOZI COMMUNITY HALL & CRECHE	1 905 308.00
KWASGUBHU VEHILE BRIDGE	1 200 000.00
EMAFUSINI GRAVEL ROAD	2 381 712.00
STHEBE GRAVEL ROAD	2 471 962.00
NTABENI PONTSHINI GRAVEL ROAD	1 454 840.00
RESERVE C GRAVEL ROAD	1 308 750.00
GRAVEL ROADS REHABILITATION IN ALL 14 WARDS (KEKEKNI, EMAPHOPHOMANE /TACC , KNWAZINI Phase 2)	3 000 000.00

1.5.1 Future operational cost of new infrastructure

The future operational costs and revenues associated with the capital programme have been included in Table 61 MBRR SA35 on page 91, It needs to be noted that as part of the 2014/15 MTREF, this expenditure has been factored into the two outer years of the operational budget.

1.6 Annual Budget Tables - Parent Municipality

The following eighteen pages present the ten main budget tables as required in terms of section 8 of the Municipal Budget and Reporting Regulations. These tables set out the municipality's 2014/15 budget and MTREF as approved by the Council. Each table is accompanied by *explanatory notes* on the facing page.

Explanatory notes to MBRR Table A1 - Budget Summary

1. Table A1 is a budget summary and provides a concise overview of the Municipality budget from all of the major financial perspectives (operating, capital expenditure, financial position, cash flow, and MFMA funding compliance).
2. The table provides an overview of the amounts approved by Council for operating performance, resources deployed to capital expenditure, financial position, cash and funding compliance, as well as the municipality's commitment to eliminating basic service delivery backlogs.
3. Financial management reforms emphasises the importance of the municipal budget being funded. This requires the simultaneous assessment of the Financial Performance, Financial Position and Cash Flow Budgets, along with the Capital Budget. The Budget Summary provides the key information in this regard:
 - a. The operating surplus/deficit (after Total Expenditure) is positive over the MTREF
 - b. Capital expenditure is balanced by capital funding sources, of which
 - i. Transfers recognised is reflected on the Financial Performance Budget;
 - ii. Borrowing is incorporated in the net cash from financing on the Cash Flow Budget
 - iii. Internally generated funds are financed from a combination of the current operating surplus and accumulated cash-backed surpluses from previous years. The amount is incorporated in the Net cash from investing on the Cash Flow Budget. The fact that the municipality's cash flow remains positive, and is improving indicates that the necessary cash resources are available to fund the Capital Budget.
4. Even though the Council is placing great emphasis on securing the financial sustainability of the municipality, this is not being done at the expense of services to the poor. The section of Free Services shows that the amount spent on Free Basic Services and the revenue cost of free services provided by the municipality continues to increase. In addition, the municipality continues to make progress in addressing service delivery backlogs.

Table 7 MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

Standard Classification Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	f									
Revenue - Standard										
Governance and administration		59,777	71,974	125,400	97,763	111,909	111,909	111,324	131,837	130,343
Executive and council		56,736	68,337	125,400	93,254	75,471	75,471	79,634	98,395	98,164
Budget and treasury office		2,889	3,421	-	4,509	36,438	36,438	31,689	33,442	32,179
Corporate services		151	216	-	-	-	-	-	-	-
Community and public safety		3,210	2,243	-	1,883	2,118	2,118	1,824	1,920	1,206
Community and social services		654	1,689	-	1,883	2,118	2,118	1,824	1,920	1,206
Sport and recreation		-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		120	-	-	-	-	-	-	-	-
Health		2,436	555	-	-	-	-	-	-	-
Economic and environmental services		6,741	20,783	-	32,861	32,861	32,861	1,892	729	768
Planning and development		6,741	20,783	-	32,861	32,861	32,861	1,892	729	768
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		516	500	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		516	500	-	-	-	-	-	-	-
Other	4	58	66	-	1,528	1,438	1,438	1,623	1,711	1,803
Total Revenue - Standard	2	70,301	95,567	125,400	134,035	148,327	148,327	116,663	136,197	134,121
Expenditure - Standard										
Governance and administration		43,899	40,721	72,059	57,048	71,400	71,400	62,962	66,619	70,489
Executive and council		21,324	19,168	72,059	21,667	21,636	21,636	23,306	24,670	26,113
Budget and treasury office		11,432	9,246	-	15,977	33,261	33,261	21,380	22,598	23,887
Corporate services		11,143	12,307	-	19,404	16,502	16,502	18,276	19,351	20,489
Community and public safety		5,627	6,297	-	12,717	9,319	9,319	10,222	10,812	11,436
Community and social services		3,810	4,217	-	12,717	9,319	9,319	10,222	10,812	11,436
Sport and recreation		1	1	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-
Housing		121	2	-	-	-	-	-	-	-
Health		1,695	2,077	-	-	-	-	-	-	-
Economic and environmental services		11,328	11,441	-	27,537	36,248	36,248	36,175	38,258	40,129
Planning and development		11,328	11,441	-	27,537	36,248	36,248	36,175	38,258	40,129
Road transport		-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-
Trading services		4	84	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-
Waste management		4	84	-	-	-	-	-	-	-
Other	4	701	718	-	1,523	1,182	1,182	1,270	1,345	1,424
Total Expenditure - Standard	3	61,559	59,261	72,059	98,825	118,149	118,149	110,628	117,033	123,478
Surplus/(Deficit) for the year		8,742	36,306	53,341	35,210	30,177	30,177	6,035	19,164	10,643

Explanatory notes to MBRR Table A2 - Budgeted Financial Performance (revenue and expenditure by standard classification)

1. Table A2 is a view of the budgeted financial performance in relation to revenue and expenditure per standard classification. The modified GFS standard classification divides the municipal services into 15 functional areas. Municipal revenue, operating expenditure and capital expenditure are then classified in terms of each of these functional areas which enables the National Treasury to compile 'whole of government' reports.
2. Note the Total Revenue on this table includes capital revenues (Transfers recognised – capital) and so does not balance to the operating revenue shown on Table A4.
3. Note that as a general principle the revenues for the Trading Services should exceed their expenditures. .
4. Other functions that show a deficit between revenue and expenditure are being financed from rates revenues and other revenue sources reflected under the Corporate Services.

Table 8 MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
Revenue by Vote	1									
Vote 1 - Council		56,507	68,275	125,400	93,254	75,471	75,471	79,634	98,395	98,164
Vote 2 - Municipal Manager		229	62	-	-	-	-	-	-	-
Vote 3 - Corporate		151	216	-	-	-	-	-	-	-
Vote 4 - Budget and Treasury		2,889	3,421	-	4,509	36,438	36,438	31,689	33,442	32,179
Vote 5 - Tourism		58	66	-	1,528	1,438	1,438	1,623	1,711	1,803
Vote 6 - Library		22	342	-	849	834	834	764	805	30
Vote 7 - Museum		-	125	-	143	284	284	299	314	331
Vote 8 - Social Services		-	500	-	-	150	150	-	-	-
Vote 9 - Traffic		632	722	-	891	850	850	761	802	845
Vote 10 - Technical		6,741	20,783	-	32,861	32,861	32,861	1,892	729	768
Housing		120	-	-	-	-	-	-	-	-
Health Clinic		2,436	555	-	-	-	-	-	-	-
Solid Waste		516	500	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Revenue by Vote	2	70,301	95,567	125,400	134,035	148,327	148,327	116,663	136,197	134,121
Expenditure by Vote to be appropriated	1									
Vote 1 - Council		19,830	16,745	72,059	16,968	17,045	17,045	18,261	19,318	20,438
Vote 2 - Municipal Manager		1,493	2,423	-	4,699	4,591	4,591	5,045	5,351	5,676
Vote 3 - Corporate		11,143	12,307	-	19,404	16,502	16,502	18,276	19,351	20,489
Vote 4 - Budget and Treasury		11,432	9,246	-	15,977	33,261	33,261	21,380	22,598	23,887
Vote 5 - Tourism		701	718	-	1,523	1,182	1,182	1,270	1,345	1,424
Vote 6 - Library		625	679	-	1,715	1,008	1,008	1,075	1,143	1,214
Vote 7 - Museum		270	292	-	1,083	424	424	453	482	513
Vote 8 - Social Services		1,162	1,579	-	7,748	5,479	5,479	4,711	4,965	5,233
Vote 9 - Traffic		1,754	1,668	-	2,172	2,408	2,408	3,983	4,222	4,475
Vote 10 - Technical		11,328	11,444	-	27,537	36,248	36,248	36,175	38,258	40,129
Housing		121	-	-	-	-	-	-	-	-
Health Clinic		1,695	2,077	-	-	-	-	-	-	-
Solid Waste		4	84	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-
Total Expenditure by Vote	2	61,559	59,261	72,059	98,825	118,149	118,149	110,628	117,033	123,478
Surplus/(Deficit) for the year	2	8,742	36,306	53,341	35,210	30,177	30,177	6,035	19,164	10,643

Explanatory notes to MBRR Table A3 - Budgeted Financial Performance (revenue and expenditure by municipal vote)

1. Table A3 is a view of the budgeted financial performance in relation to the revenue and expenditure per municipal vote. This table facilitates the view of the budgeted operating performance in relation to the organisational structure of the Municipality. This means it is possible to present the operating surplus or deficit of a vote. The following table is an analysis of the surplus or deficit for the electricity and water trading services.

Table 9 MBRR Table A4 - Budgeted Financial Performance (revenue and expenditure)

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Revenue By Source											
Property rates	2	8,792	11,927	15,183	22,073	30,212	30,212	-	23,441	24,707	26,041
Property rates - penalties & collection charges		1,597	1,978	2,470	1,716	1,716	1,716		1,812	1,910	2,013
Service charges - electricity revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - water revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - sanitation revenue	2	-	-	-	-	-	-	-	-	-	-
Service charges - refuse revenue	2	516	500	355	344	344	344	-	365	385	406
Service charges - other											
Rental of facilities and equipment		61	42	945	50	50	50		53	56	59
Interest earned - external investments		903	1,462	2,535	1,399	1,399	1,399		2,800	2,957	3,122
Interest earned - outstanding debtors						-	-				
Dividends received						-	-		-	-	-
Fines		229	213	151	322	322	322		200	211	222
Licences and permits					150	150	150		938	988	1,041
Agency services		405	508	614	1,858	2,370	2,370		2,517	2,653	2,797
Transfers recognised - operational		48,222	57,906	67,627	71,795	73,902	73,902		84,239	102,017	98,089
Other revenue	2	2,914	419	787	3,118	6,400	6,400	-	297	313	330
Gains on disposal of PPE					-	250	250				
Total Revenue (excluding capital transfers and contributions)		63,639	74,958	90,667	102,825	117,117	117,117	-	116,663	136,197	134,121
Expenditure By Type											
Employee related costs	2	19,825	22,453	27,712	32,024	35,817	35,817	-	38,337	40,767	43,351
Remuneration of councillors		5,259	6,333	6,783	6,979	7,614	7,614		7,154	7,612	8,099
Debt impairment	3		4,886	3,437	4,070	8,300	8,300		4,298	4,530	4,775
Depreciation & asset impairment	2	5,039	4,478	4,016	14,080	12,000	12,000	-	16,406	17,292	18,226
Finance charges		911	679	2,832	1,018	982	982		205	216	228
Bulk purchases	2	-	-	-	-	-	-	-	-	-	-
Other materials	8				589	572	572		604	636	671
Contracted services		-	-	-	-	-	-	-	1,469	1,548	1,632
Transfers and grants		-	-	-	-	-	-	-	3,227	3,401	3,585
Other expenditure	4, 5	30,525	20,432	27,279	40,065	52,864	52,864	-	38,928	41,030	42,912
Loss on disposal of PPE											
Total Expenditure		61,559	59,261	72,059	98,825	118,149	118,149	-	110,628	117,033	123,478
Surplus/(Deficit)											
Transfers recognised - capital		2,080	15,697	18,607	4,000	(1,033)	(1,033)	-	6,035	19,164	10,643
Contributions recognised - capital	6	6,662	20,610	34,733	31,210	31,210	31,210		32,537	39,689	40,783
Contributed assets		-	-	-	-	-	-	-	-	-	-
Surplus/(Deficit) after capital transfers & contributions		8,742	36,306	53,341	35,210	30,177	30,177	-	38,572	58,853	51,426
Taxation											
Surplus/(Deficit) after taxation		8,742	36,306	53,341	35,210	30,177	30,177	-	38,572	58,853	51,426
Attributable to minorities											
Surplus/(Deficit) attributable to municipality		8,742	36,306	53,341	35,210	30,177	30,177	-	38,572	58,853	51,426
Share of surplus/ (deficit) of associate	7										
Surplus/(Deficit) for the year		8,742	36,306	53,341	35,210	30,177	30,177	-	38,572	58,853	51,426

Table 10 MBRR Table A5 - Budgeted Capital Expenditure by vote, standard classification and funding source

Vote Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand	1										
Capital expenditure - Vote											
Multi-year expenditure to be appropriated	2										
Vote 1 - Council		-	-	-	-	-	-	-	-	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate		-	-	-	-	-	-	-	-	-	-
Vote 4 - Budget and Treasury		-	-	-	-	-	-	-	-	-	-
Vote 5 - Tourism		-	-	-	-	-	-	-	-	-	-
Vote 6 - Library		-	-	-	-	-	-	-	-	-	-
Vote 7 - Museum		-	-	-	-	-	-	-	-	-	-
Vote 8 - Social Services		-	-	-	-	-	-	-	-	-	-
Vote 9 - Traffic		-	-	-	-	-	-	-	-	-	-
Vote 10 - Technical		-	-	-	-	-	-	-	-	-	-
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital multi-year expenditure sub-total	7	-	-	-	-	-	-	-	-	-	-
Single-year expenditure to be appropriated	2										
Vote 1 - Council		30	8,431	8,621	11,700	21,472	21,472	-	8,000	-	-
Vote 2 - Municipal Manager		-	-	-	-	-	-	-	-	-	-
Vote 3 - Corporate		20	629	1,652	-	150	150	-	-	-	-
Vote 4 - Budget and Treasury		-	-	-	800	800	800	-	400	1,000	-
Vote 5 - Tourism		-	-	-	-	-	-	-	-	-	-
Vote 6 - Library		-	-	-	-	-	-	-	-	-	-
Vote 7 - Museum		-	-	-	-	-	-	-	-	-	-
Vote 8 - Social Services		-	102	-	-	-	-	-	1,000	1,000	-
Vote 9 - Traffic		-	-	-	480	480	480	-	-	-	-
Vote 10 - Technical		17,668	10,207	30,534	41,310	42,868	42,868	-	39,012	57,659	2,000
Vote 11 - [NAME OF VOTE 11]		-	-	-	-	-	-	-	-	-	-
Vote 12 - [NAME OF VOTE 12]		-	-	-	-	-	-	-	-	-	-
Vote 13 - [NAME OF VOTE 13]		-	-	-	-	-	-	-	-	-	-
Vote 14 - [NAME OF VOTE 14]		-	-	-	-	-	-	-	-	-	-
Vote 15 - [NAME OF VOTE 15]		-	-	-	-	-	-	-	-	-	-
Capital single-year expenditure sub-total		17,717	19,368	40,806	54,290	65,770	65,770	-	48,412	59,659	2,000
Total Capital Expenditure - Vote		17,717	19,368	40,806	54,290	65,770	65,770	-	48,412	59,659	2,000
Capital Expenditure - Standard											
Governance and administration		50	9,059	10,273	12,500	22,422	22,422	-	8,400	1,300	-
Executive and council		30	8,431	8,621	11,700	21,472	21,472	-	8,000	300	-
Budget and treasury office		-	-	-	800	800	800	-	400	1,000	-
Corporate services		20	629	1,652	-	150	150	-	-	-	-
Community and public safety		1,737	102	-	-	480	480	-	1,500	2,500	-
Community and social services		1,737	102	-	-	480	480	-	1,500	2,500	-
Sport and recreation		-	-	-	-	-	-	-	-	-	-
Public safety		-	-	-	-	-	-	-	-	-	-
Housing		-	-	-	-	-	-	-	-	-	-
Health		-	-	-	-	-	-	-	-	-	-
Economic and environmental services		15,931	10,207	30,534	41,790	42,868	42,868	-	38,512	55,769	2,000
Planning and development		15,931	10,207	30,534	41,790	42,868	42,868	-	38,512	55,769	2,000
Road transport		-	-	-	-	-	-	-	-	-	-
Environmental protection		-	-	-	-	-	-	-	-	-	-
Trading services		-	-	-	-	-	-	-	-	-	-
Electricity		-	-	-	-	-	-	-	-	-	-
Water		-	-	-	-	-	-	-	-	-	-
Waste water management		-	-	-	-	-	-	-	-	-	-
Waste management		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
Total Capital Expenditure - Standard	3	17,717	19,368	40,806	54,290	65,770	65,770	-	48,412	59,659	2,000
Funded by:											
National Government		6,464	16,143	28,393	24,610	24,610	24,610	-	32,537	39,689	40,783
Provincial Government		198	2,435	5,710	6,600	6,600	6,600	-	-	-	-
District Municipality		-	-	-	-	-	-	-	-	-	-
Other transfers and grants		-	-	-	-	-	-	-	-	-	-
Transfers recognised - capital	4	6,662	18,578	34,104	31,210	31,210	31,210	-	32,537	39,689	40,783
Public contributions & donations	5	-	-	-	-	-	-	-	-	-	-
Borrowing	6	-	-	-	-	-	-	-	-	-	-
Internally generated funds		11,055	790	6,703	23,080	26,043	26,043	-	15,875	19,970	-
Total Capital Funding	7	17,717	19,368	40,806	54,290	65,770	65,770	-	48,412	59,659	40,783

Table 11 MBRR Table A6 - Budgeted Financial Position

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
ASSETS											
Current assets											
Cash		10,962	40,139	34,525	30,000	30,000	30,000		22,000	29,700	40,095
Call investment deposits	1	23,661	24,689	44,304	80,000	60,000	60,000	-	50,000	45,000	40,000
Consumer debtors	1	7,130	6,072	8,546	14,000	14,000	14,000	-	10,000	8,000	6,000
Other debtors			767	2,911					2,500	2,650	2,730
Current portion of long-term receivables											
Inventory	2										
Total current assets		41,752	71,667	90,286	104,000	104,000	104,000	-	84,500	85,350	88,825
Non current assets											
Long-term receivables											
Investments											
Investment property											
Investment in Associate											
Property, plant and equipment	3	51,950	65,603	98,813	53,490	53,490	53,490	-	129,465	158,992	145,113
Agricultural											
Biological											
Intangible			85	56	800	800	800		400		
Other non-current assets				86		11,480	11,480				
Total non current assets		51,950	65,687	98,955	54,290	65,770	65,770	-	129,865	158,992	145,113
TOTAL ASSETS		93,701	137,355	189,241	158,290	169,770	169,770	-	214,365	244,342	233,938
LIABILITIES											
Current liabilities											
Bank overdraft	1										
Borrowing	4	-	-	-	3,900	3,900	3,900	-	4,300	4,532	4,777
Consumer deposits											
Trade and other payables	4	37,121	47,249	43,116	3,000	3,000	3,000	-	1,500	1,000	500
Provisions											
Total current liabilities		37,121	47,249	43,116	6,900	6,900	6,900	-	5,800	5,532	5,277
Non current liabilities											
Borrowing		3,744	-	-	-	-	-	-	11,300	6,768	1,991
Provisions		2,631	4,605	9,389	1,000	1,000	1,000	-	2,637	2,637	2,637
Total non current liabilities		6,375	4,605	9,389	1,000	1,000	1,000	-	13,937	9,405	4,628
TOTAL LIABILITIES		43,496	51,854	52,505	7,900	7,900	7,900	-	19,737	14,937	9,905
NET ASSETS	5	50,205	85,501	136,736	150,390	161,870	161,870	-	194,628	229,405	224,033
COMMUNITY WEALTH/EQUITY											
Accumulated Surplus/(Deficit)		50,205	85,501	136,736	150,390	161,870	161,870		194,628	229,405	224,033
Reserves	4	-	-	-	-	-	-	-	-	-	-
Minorities' interests											
TOTAL COMMUNITY WEALTH/EQUITY	5	50,205	85,501	136,736	150,390	161,870	161,870	-	194,628	229,405	224,033

Table 12 MBRR Table A7 - Budgeted Cash Flow Statement

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
CASH FLOW FROM OPERATING ACTIVITIES											
Receipts											
Ratepayers and other	1	81,413	102,932	149,076	46,854	41,920	41,920	27,248	27,811	29,313	30,896
Government - operating	1				73,652	73,902	73,902	64,295	84,239	100,927	97,758
Government - capital					31,210	31,210	31,210	23,408	32,537	39,689	40,783
Interest		902	1,462	2,535	1,399	1,399	1,399	1,399	2,800	2,957	3,122
Dividends											
Payments											
Suppliers and employees		(42,848)	(52,672)	(97,679)	(98,707)	(88,856)	(88,856)	(53,314)	(89,719)	(94,995)	(100,250)
Finance charges		(911)	(679)	(2,832)	(118)	(982)	(982)	(540)	(205)	(216)	(228)
Transfers and Grants	1										
NET CASH FROM/(USED) OPERATING ACTIVITIES		38,566	51,044	51,100	54,290	58,594	58,594	62,496	57,484	77,675	72,082
CASH FLOWS FROM INVESTING ACTIVITIES											
Receipts											
Proceeds on disposal of PPE											
Decrease (increase) in non-current debtors											
Decrease (increase) other non-current receivables											
Decrease (increase) in non-current investments					10,000	(2,464)	(2,464)				
Payments											
Capital assets		(5,878)	(19,245)	(40,632)	(54,290)	(65,770)	(65,770)	(49,328)	(48,412)	(59,569)	(2,000)
NET CASH FROM/(USED) INVESTING ACTIVITIES		(5,878)	(19,245)	(40,632)	(44,290)	(68,234)	(68,234)	(49,328)	(48,412)	(59,569)	(2,000)
CASH FLOWS FROM FINANCING ACTIVITIES											
Receipts											
Short term loans											
Borrowing long term/refinancing											
Increase (decrease) in consumer deposits											
Payments											
Repayment of borrowing		(1,557)	(1,594)	3,533	(3,800)	(3,800)	(3,800)	-	(4,300)	(4,532)	(4,777)
NET CASH FROM/(USED) FINANCING ACTIVITIES		(1,557)	(1,594)	3,533	(3,800)	(3,800)	(3,800)	-	(4,300)	(4,532)	(4,777)
NET INCREASE/ (DECREASE) IN CASH HELD		31,122	30,206	14,001	6,200	(13,441)	(13,441)	13,168	4,751	13,574	65,305
Cash/cash equivalents at the year begin:	2	3,501	34,622	64,828	78,829	78,829	78,829	78,829	65,388	70,140	83,713
Cash/cash equivalents at the year end:	2	34,622	64,828	78,829	85,029	65,388	65,388	91,997	70,140	83,713	149,018

References

1. Local/District municipalities to include transfers from/to District/Local Municipalities

2. Cash equivalents includes investments with maturities of 3 months or less

[illegible]

Table 13 MBRR Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14				2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Pre-audit outcome	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand											
Cash and investments available											
Cash/cash equivalents at the year end	1	34,622	64,828	78,829	85,029	65,388	65,388	91,997	70,140	83,713	149,018
Other current investments > 90 days		-	0	0	4,971	24,612	24,612	(91,997)	1,860	(9,013)	(68,923)
Non current assets - investments	1	-	-	-	-	-	-	-	-	-	-
Cash and investments available:		34,622	64,828	78,829	90,000	90,000	90,000	-	72,000	74,700	80,095
Application of cash and investments											
Unspent conditional transfers		28,308	35,344	26,211	-	-	-	-	-	-	-
Unspent borrowing		-	-	-	-	-	-	-	-	-	-
Statutory requirements	2	-	-	-	-	-	-	-	-	-	-
Other working capital requirements	3	(31,178)	(33,259)	(66,393)	(19,138)	(11,120)	(11,120)	-	(10,235)	(8,998)	(7,696)
Other provisions		-	-	-	-	-	-	-	-	-	-
Long term investments committed	4	-	-	-	-	-	-	-	-	-	-
Reserves to be backed by cash/investments	5	-	-	-	-	-	-	-	-	-	-
Total Application of cash and investments:		(2,870)	2,085	(40,182)	(19,138)	(11,120)	(11,120)	-	(10,235)	(8,998)	(7,696)
Surplus(shortfall)		37,492	62,742	119,011	109,138	101,120	101,120	-	82,235	83,698	87,791

References

1. Must reconcile with Budgeted Cash Flows
2. For example: VAT, taxation
3. Council approval for policy required - include sufficient working capital (e.g. allowing for a % of current debtors > 90 days as uncollectable)
4. For example: sinking fund requirements for borrowing
5. Council approval required for each reserve created and basis of cash backing of reserves

Other working capital requirements

Debtors	39,991	45,164	83,298	22,138	14,120	14,120	-	11,735	9,998	8,195
Creditors due	8,813	11,905	16,905	3,000	3,000	3,000	-	1,500	1,000	500
Total	31,178	33,259	66,393	19,138	11,120	11,120	-	10,235	8,998	7,696

Debtors collection assumptions

Balance outstanding - debtors	7,130	6,839	11,457	14,000	14,000	14,000	-	12,500	10,650	8,730
Estimate of debtors collection rate	561%	660%	727%	158%	101%	101%	0%	94%	94%	94%

Explanatory notes to Table A7 - Budgeted Cash Flow Statement

1. The budgeted cash flow statement is the first measurement in determining if the budget is funded.
2. It shows the expected level of cash in-flow versus cash out-flow that is likely to result from the implementation of the budget.

Explanatory notes to Table A8 - Cash Backed Reserves/Accumulated Surplus Reconciliation

1. The cash backed reserves/accumulated surplus reconciliation is aligned to the requirements of MFMA Circular 72 – Funding a Municipal Budget.
2. In essence the table evaluates the funding levels of the budget by firstly forecasting the cash and investments at year end and secondly reconciling the available funding to the liabilities/commitments that exist.
3. The outcome of this exercise would either be a surplus or deficit. A deficit would indicate that the applications exceed the cash and investments available and would be indicative of non-compliance with the MFMA requirements that the municipality's budget must be "funded".
4. Non-compliance with section 18 of the MFMA is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded.

Table 14 MBRR Table A9 - Asset Management

Description	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
		Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand										
CAPITAL EXPENDITURE										
Total New Assets	1	17,717	19,368	40,806	54,290	65,770	65,770	48,412	59,659	2,000
Infrastructure - Road transport		-	-	-	19,705	18,894	18,894	20,407	19,800	-
Infrastructure - Electricity		-	-	-	4,000	5,500	5,500	6,200	2,500	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	24,993	6,600	6,600	6,600	-	-	2,000
Infrastructure		-	-	24,993	30,305	30,994	30,994	26,607	22,300	2,000
Community		-	-	-	10,005	11,874	11,874	13,405	37,359	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	17,717	19,368	15,813	13,180	22,102	22,102	8,000	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	800	800	800	400	-	-
Total Renewal of Existing Assets	2	-	-	-	-	-	-	-	-	-
Infrastructure - Road transport		-	-	-	-	-	-	-	-	-
Infrastructure - Electricity		-	-	-	-	-	-	-	-	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	-	-	-	-	-	-	-
Infrastructure		-	-	-	-	-	-	-	-	-
Community		-	-	-	-	-	-	-	-	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets	6	-	-	-	-	-	-	-	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	-	-	-	-	-	-
Total Capital Expenditure	4	-	-	-	19,705	18,894	18,894	20,407	19,800	-
Infrastructure - Road transport		-	-	-	19,705	18,894	18,894	20,407	19,800	-
Infrastructure - Electricity		-	-	-	4,000	5,500	5,500	6,200	2,500	-
Infrastructure - Water		-	-	-	-	-	-	-	-	-
Infrastructure - Sanitation		-	-	-	-	-	-	-	-	-
Infrastructure - Other		-	-	24,993	6,600	6,600	6,600	-	-	2,000
Infrastructure		-	-	24,993	30,305	30,994	30,994	26,607	22,300	2,000
Community		-	-	-	10,005	11,874	11,874	13,405	37,359	-
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		17,717	19,368	15,813	13,180	22,102	22,102	8,000	-	-
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	-	-	800	800	800	400	-	-
TOTAL CAPITAL EXPENDITURE - Asset class	2	17,717	19,368	40,806	54,290	65,770	65,770	48,412	59,659	2,000
ASSET REGISTER SUMMARY - PPE (WDV)	5									
Infrastructure - Road transport					23,705	24,610	24,610	26,550	28,261	
Infrastructure - Electricity						5,500	5,500	6,200	1,000	
Infrastructure - Water										
Infrastructure - Sanitation										
Infrastructure - Other		34,542	35,399	54,366	6,600	6,600	6,600	-	-	42,844
Infrastructure		34,542	35,399	54,366	30,305	36,710	36,710	32,750	29,261	42,844
Community		1,414	1,161	807	9,905	17,538	17,538	7,762	21,000	2,000
Heritage assets		-	-	-	-	-	-	-	-	-
Investment properties		-	-	-	-	-	-	-	-	-
Other assets		15,888	29,043	43,640	13,280	10,722	10,722	88,953	108,731	100,269
Agricultural Assets		-	-	-	-	-	-	-	-	-
Biological assets		-	-	-	-	-	-	-	-	-
Intangibles		-	85	56	800	800	800	400	-	-
TOTAL ASSET REGISTER SUMMARY - PPE (WDV)	5	51,844	65,687	98,869	54,290	65,770	65,770	129,855	158,992	145,113

Energy:									
Electricity (at least min.service level)									
Electricity - prepaid (min.service level)									
<i>Minimum Service Level and Above sub-total</i>	-	-	-	-	-	-	-	-	-
Electricity (< min.service level)									
Electricity - prepaid (< min. service level)									
Other energy sources									
<i>Below Minimum Service Level sub-total</i>	-	-	-	-	-	-	-	-	-
Total number of households	5	-	-	-	-	-	-	-	-
Refuse:									
Removed at least once a week									
<i>Minimum Service Level and Above sub-total</i>		-	-	-	-	-	-	-	-
Removed less frequently than once a week		518							
Using communal refuse dump		586							
Using own refuse dump		21,395							
Other rubbish disposal		333							
No rubbish disposal		4,744							
<i>Below Minimum Service Level sub-total</i>		27,576	-	-	-	-	-	-	-
Total number of households	5	27,576	-	-	-	-	-	-	-
Households receiving Free Basic Service	7								
Water (6 kilolitres per household per month)									
Sanitation (free minimum level service)									
Electricity/other energy (50kwh per household per month)									
Refuse (removed at least once a week)									
Cost of Free Basic Services provided (R'000)	8								
Water (6 kilolitres per household per month)									
Sanitation (free sanitation service)									
Electricity/other energy (50kwh per household per month)		404	543	655	2,020	2,000	2,000	2,112	2,226
Refuse (removed once a week)									
Total cost of FBS provided (minimum social package)		404	543	655	2,020	2,000	2,000	2,112	2,226
Highest level of free service provided									
Property rates (R value threshold)									
Water (kilolitres per household per month)									
Sanitation (kilolitres per household per month)									
Sanitation (Rand per household per month)									
Electricity (kwh per household per month)									
Refuse (average litres per week)									
Revenue cost of free services provided (R'000)	9								
Property rates (R 15 000 threshold rebate)									
Property rates (other exemptions, reductions and rebates)									
Water									
Sanitation									
Electricity/other energy		404	543	655	2,020	2,000	2,000	2,112	2,226
Refuse									
Municipal Housing - rental rebates									
Housing - top structure subsidies									
Other									
Total revenue cost of free services provided (total social package)	6	404	543	655	2,020	2,000	2,000	2,112	2,226
		404	543	655	2,020	2,000	2,000	2,112	2,226

Explanatory notes to Table A10 - Basic Service Delivery Measurement

1. Table A10 provides an overview of service delivery levels, including backlogs (below minimum service level), for each of the main services.

Part 2 – Supporting Documentation

2.1 Overview of the annual budget process

Section 53 of the MFMA requires the Mayor of the municipality to provide general political guidance in the budget process and the setting of priorities that must guide the preparation of the budget. In addition Chapter 2 of the Municipal Budget and Reporting Regulations states that the Mayor of the municipality must establish a Budget Steering Committee to provide technical assistance to the Mayor in discharging the responsibilities set out in section 53 of the Act.

The Budget Steering Committee consists of the Municipal Manager and senior officials of the municipality meeting under the chairpersonship of the MMC for Finance.

The primary aim of the Budget Steering Committee is to ensure:

- that the process followed to compile the budget complies with legislation and good budget practices;
- that there is proper alignment between the policy and service delivery priorities set out in the City's IDP and the budget, taking into account the need to protect the financial sustainability of municipality;
- that the municipality's revenue and tariff setting strategies ensure that the cash resources needed to deliver services are available; and
- that the various spending priorities of the different municipal departments are properly evaluated and prioritised in the allocation of resources.

2.1.1 Budget Process Overview

In terms of section 21 of the MFMA the Mayor is required to table in Council ten months before the start of the new financial year (i.e. in August 2013) a time schedule that sets out the process to revise the IDP and prepare the budget.

The Mayor tabled in Council the required the IDP and budget time schedule

2.1.2 IDP and Service Delivery and Budget Implementation Plan

The Municipal IDP is its principal strategic planning instrument, which directly guides and informs its planning, budget, management and development actions. This framework is rolled out into objectives, key performance indicators and targets for implementation which directly inform the Service Delivery and Budget Implementation Plan. The Process Plan applicable to the fourth revision cycle included the following key IDP processes and deliverables:

- Registration of community needs;
- Compilation of departmental business plans including key performance indicators and targets;
- Financial planning and budgeting process;

- Public participation process;
- Compilation of the SDBIP, and
- The review of the performance management and monitoring processes.

The IDP has been taken into a business and financial planning process leading up to the 2014/15 MTREF, based on the approved 2013/14 MTREF, Mid-year Review and adjustments budget. The business planning process has subsequently been refined in the light of current economic circumstances and the resulting revenue projections.

With the compilation of the 2014/15 MTREF, each department/function had to review the business planning process, including the setting of priorities and targets after reviewing the mid-year and third quarter performance against the 2013/14 Departmental Service Delivery and Budget Implementation Plan. Business planning links back to priority needs and master planning, and essentially informed the detail operating budget appropriations and three-year capital programme.

2.1.3 Financial Modelling and Key Planning Drivers

As part of the compilation of the 2014/15 MTREF, extensive financial modelling was undertaken to ensure affordability and long-term financial sustainability. The following key factors and planning strategies have informed the compilation of the 2014/15 MTREF:

- Okhahlamba growth
- Policy priorities and strategic objectives
- Asset maintenance
- The approved 2013/14 adjustments budget and performance against the SDBIP
- Cash Flow Management Strategy
- Debtor payment levels
- Loan and investment possibilities
- The need for tariff increases versus the ability of the community to pay for services;
- Improved and sustainable service delivery

In addition to the above, the strategic guidance given in National Treasury's MFMA Circulars 70,71 and 72 has been taken into consideration in the planning and prioritisation process.

2.1.4 Community Consultation

The draft 2014/15 MTREF as tabled before Council on the 19th March 2014 for community consultation was published on the municipality's website, and hard copies were made available at customer care offices, municipal notice boards and various

All documents in the appropriate format (electronic and printed) were provided to National Treasury, and other national and provincial departments in accordance with section 23 of the MFMA, to provide an opportunity for them to make inputs.

Ward Committees were utilised to facilitate the community consultation process from 1 to 26 November 2013 and one from 1st March 2014 to 23 May 2014. The applicable dates and venues were published in all the local newspapers and on average attendance of 150 was recorded per meeting. This is up on the previous year's process. This can be attributed to the

additional initiatives that were launched during the consultation process, including the specific targeting of ratepayer associations. Individual sessions were scheduled with organised business and imbizo's were held to further ensure transparency and interaction. Other stakeholders involved in the consultation included churches, non-governmental institutions and community-based organisations.

Submissions received during the community consultation process and additional information regarding revenue and expenditure and individual capital projects were addressed, and where relevant considered as part of the finalisation of the 2014/15 MTREF. Feedback and responses to the submissions received are available on request. The following are some of the issues and concerns raised as well as comments received during the consultation process:

- Capital expenditure is not allocated to the areas in the same ratio as the income derived from those areas. This is a normal practice in a collective taxation environment. The Municipality is responsible for managing the equitable use of resources to ensure that constitutional imperative to progressively improve basic services in undeveloped areas is realized in a sustainable manner over a reasonable period of time;
- Several complaints were received regarding poor service delivery, especially waste removal backlogs and the state of road infrastructure;
- Poor performance of contractors relating to infrastructure development and maintenance especially in the areas of road construction and maintenance were raised;
- Issues were raised regarding the payment of bonuses to senior managers;
- Remuneration packages of council officials were criticized as being very high, relative their private sector counterparts within the Municipality ;
- The affordability of tariff increases, especially electricity, was raised on numerous occasions. This concern was also raised by organized business as an obstacle to economic growth;
- Pensioners cannot afford the tariff increases due to low annual pension increases; and
- During the community consultation process large sections of the community made it clear that they are not in favour of any further tariff increases to fund additional budget requests. They indicated that the municipality must do more to ensure efficiencies and value for money.
- The 2014/15 Division of Revenue Act (DORA) grant allocations were finalized and aligned to the gazetted allocations; and
- Funding was allocated to address metering discrepancies and unmetered premises.

2.2 Overview of alignment of annual budget with IDP

The Constitution mandates local government with the responsibility to exercise local developmental and cooperative governance. The eradication of imbalances in South African society can only be realized through a credible integrated developmental planning process.

Municipalities in South Africa need to utilise integrated development planning as a method to plan future development in their areas and so find the best solutions to achieve sound long-term development goals. A municipal IDP provides a five year strategic programme of action aimed at setting short, medium and long term strategic and budget priorities to create a development platform, which correlates with the term of office of the political incumbents. The plan aligns the resources and the capacity of a municipality to its overall development aims and guides the municipal budget. An IDP is therefore a key instrument which municipalities use to provide

vision, leadership and direction to all those that have a role to play in the development of a municipal area. The IDP enables municipalities to make the best use of scarce resources and speed up service delivery.

Integrated developmental planning in the South African context is amongst others, an approach to planning aimed at involving the municipality and the community to jointly find the best solutions towards sustainable development. Furthermore, integrated development planning provides a strategic environment for managing and guiding all planning, development and decision making in the municipality.

It is important that the IDP developed by municipalities correlate with National and Provincial intent. It must aim to co-ordinate the work of local and other spheres of government in a coherent plan to improve the quality of life for all the people living in that area. Applied to the Municipality, issues of national and provincial importance should be reflected in the IDP of the municipality. A clear understanding of such intent is therefore imperative to ensure that the Municipality strategically complies with the key national and provincial priorities.

The aim of this revision cycle was to develop and coordinate a coherent plan to improve the quality of life for all the people living in the area, also reflecting issues of national and provincial importance. One of the key objectives is therefore to ensure that there exists alignment between national and provincial priorities, policies and strategies and the Municipality response to these requirements.

The Constitution requires local government to relate its management, budgeting and planning functions to its objectives. This gives a clear indication of the intended purposes of municipal integrated development planning. Legislation stipulates clearly that a municipality must not only give effect to its IDP, but must also conduct its affairs in a manner which is consistent with its IDP. The following table highlights the IDP's five strategic objectives for the 2014/15MTREF and further planning refinements that have directly informed the compilation of the budget:

IDP Strategic Objectives

In order to ensure integrated and focused service delivery between all spheres of government it was important for the Municipality to align its budget priorities with that of national and provincial government. All spheres of government place a high priority on infrastructure development, economic development and job creation, efficient service delivery, poverty alleviation and building sound institutional arrangements.

Local priorities were identified as part of the IDP review process which is directly aligned to that of the national and provincial priorities. The key performance areas can be summarised as follows against the five strategic objectives:

1. Provision of quality basic services and infrastructure which includes, amongst others;
 - o Provide waste removal;
2. Economic growth and development that leads to sustainable job creation by:

- Ensuring there is a clear structural plan for the Municipality ;
- Ensuring planning processes function in accordance with set timeframes;
- Facilitating the use of labour intensive approaches in the delivery of services and the building of infrastructure.

3.1 Fight poverty and build clean, healthy, safe and sustainable communities:

- Effective implementation of the Indigent Policy;
- Working with the provincial department of health to provide primary health care services;
- Extending waste removal services and ensuring effective city cleansing;
- Ensuring all waste water treatment works are operating optimally;
- Working with strategic partners such as SAPS to address crime;
- Ensuring safe working environments by effective enforcement of building and health regulations;
- Promote viable, sustainable communities through proper zoning; and
- Promote environmental sustainability by protecting wetlands and key open spaces.

3.2 Integrated Social Services for empowered and sustainable communities

- Work with provincial departments to ensure the development of community infrastructure such as schools and clinics is properly co-ordinated with the informal settlements upgrade programme

4. Foster participatory democracy and Batho Pele principles through a caring, accessible and accountable service by:

- Optimising effective community participation in the ward committee system; and
- Implementing Batho Pele in the revenue management strategy.

5.1 Promote sound governance through:

- Publishing the outcomes of all tender processes on the municipal website

5.2 Ensure financial sustainability through:

- Reviewing the use of contracted services
- Continuing to implement the infrastructure renewal strategy and the repairs and maintenance plan

5.3 Optimal institutional transformation to ensure capacity to achieve set objectives

- Review of the organizational structure to optimize the use of personnel;

In line with the MSA, the IDP constitutes a single, inclusive strategic plan for the Municipality. The five-year programme responds to the development challenges and opportunities faced by the Municipality by identifying the key performance areas to achieve the five the strategic objectives mentioned above.

In addition to the five-year IDP, the Municipality undertakes an extensive planning and developmental strategy which primarily focuses on a longer-term horizon; 15 to 20 years. This process is aimed at influencing the development path by proposing a substantial programme of public-led investment to restructure current patterns of settlement, activity and access to resources in the Municipality to promote greater equity and enhanced opportunity. The strategy specifically targets future developmental opportunities in traditional dormitory settlements. It

provides direction to the Municipality IDP, associated sectorial plans and strategies, and the allocation of resources of the Municipality and other service delivery partners.

This development strategy introduces important policy shifts which have further been translated into seven strategic focus areas/objectives as outlined below:

- Developing dormant areas;
- Enforcing hard development lines – so as to direct private investment;
- Maintaining existing urban areas;
- Strengthening key economic clusters;
- Building social cohesion;
- Strong developmental initiatives in relation to the municipal institution as a whole; and
- Sound financial fundamentals.

Lessons learned with previous IDP revision and planning cycles as well as changing environments were taken into consideration in the compilation of the fourth revised IDP, including:

- Strengthening the analysis and strategic planning processes of the Municipal ;
- Initiating zonal planning processes that involve the communities in the analysis and planning processes. More emphasis was placed on area based interventions, within the overall holistic framework;
- Ensuring better coordination through a programmatic approach and attempting to focus the budgeting process through planning interventions; and
- Strengthening performance management and monitoring systems in ensuring the objectives and deliverables are achieved.

The 2014/15 MTREF has therefore been directly informed by the IDP revision process and the following tables provide a reconciliation between the IDP strategic objectives and operating revenue, operating expenditure and capital expenditure.

Table 16 MBRR Table SA4 - Reconciliation between the IDP strategic objectives and budgeted revenue

Strategic Objective	Goal	Goal Code	Ref	2010/11	2011/12	2012/13	Current Year 2013/14			2014/15 Medium Term Revenue & Expenditure Framework		
				Audited Outcome	Audited Outcome	Audited Outcome	Original Budget	Adjusted Budget	Full Year Forecast	Budget Year 2014/15	Budget Year +1 2015/16	Budget Year +2 2016/17
R thousand												
Operational Revenue				48,222	56,640	65,614	71,795	73,902	73,902	84,239	102,017	98,089
Property rates				8,792	11,927	15,183	22,073	30,212	30,212	23,441	24,707	26,041
penalties				1,597	1,978	2,470	1,716	1,716	1,716	1,812	1,910	2,013
Service charge refuse				516	500	355	346	344	344	365	385	406
Rental Facilities				61	42	945	50	50	50	53	56	59
Interest Investment				902	1,462	2,535	1,399	1,399	1,399	2,800	2,957	3,122
Fines				229	213	151	322	322	322	200	211	222
Licence and permits							150	150	150	938	988	1,041
agency services				405	508	614	1,856	2,370	2,370	2,517	2,653	2,797
Gain on sale of ppe								250	250			
Other revenue				2,915	1,687	2,576	3,118	6,400	6,400			
Interest on current account										297	313	330
Allocations to other priorities			2									
Total Revenue (excluding capital transfers and contributions)			1	63,639	74,958	90,443	102,825	117,117	117,117	116,653	135,197	134,121

Table 17 MBRR Table SA5 - Reconciliation between the IDP strategic objectives and budgeted operating expenditure

This table is attached on the A schedule Budget document

Table 18 MBRR Table SA7 - Reconciliation between the IDP strategic objectives and budgeted capital expenditure

This table is attached on the A schedule Budget document

2.3 Measurable performance objectives and indicators

Performance Management is a system intended to manage and monitor service delivery progress against the identified strategic objectives and priorities. In accordance with legislative requirements and good business practices as informed by the National Framework for Managing Programme Performance Information, the Municipality has developed and implemented a performance management system of which system is constantly refined as the integrated planning process unfolds. The Municipality targets, monitors, assess and reviews organisational performance which in turn is directly linked to individual employee's performance.

At any given time within government, information from multiple years is being considered; plans and budgets for next year; implementation for the current year; and reporting on last year's performance. Although performance information is reported publicly during the last stage, the performance information process begins when policies are being developed, and continues through each of the planning, budgeting, implementation and reporting stages.

The performance information concepts used by the Municipality in its integrated performance management system are aligned to the ***Framework of Managing Programme Performance Information*** issued by the National Treasury:

Definition of performance information concepts

The following table provides the main measurable performance objectives the municipality undertakes to achieve this financial year.

Table 19 MBRR Table SA7 - Measurable performance objectives

This table is attached on the A schedule Budget document

The following table sets out the municipalities main performance objectives and benchmarks for the 2012/13 MTREF.

Table 20 MBRR Table SA8 - Performance indicators and benchmarks

This table is attached on the A schedule Budget document

2.3.1 Performance indicators and benchmarks

2.3.1.1 Borrowing Management

Capital expenditure in local government can be funded by capital grants, own-source revenue and long term borrowing. The ability of a municipality to raise long term borrowing is largely dependent on its creditworthiness and financial position. As with all other municipalities, Okhahlamba Local Municipality borrowing strategy is primarily informed by the affordability of debt repayments.

2.3.1.2 Revenue Management

- As part of the financial sustainability strategy, an aggressive revenue management framework has been implemented to increase cash inflow, not only from current billings but also from debtors that are in arrears in excess of 90 days. The intention of the strategy is to streamline the revenue value chain by ensuring accurate billing, customer service, credit control and debt collection.

2.3.1.3 Creditors Management

- The Municipality has managed to ensure that creditors are settled within the legislated 30 days of invoice. While the liquidity ratio is of concern, by applying daily cash flow management the municipality has managed to ensure a 100 per cent compliance rate to this legislative obligation. This has had a favourable impact on suppliers' perceptions of risk of doing business with the Municipality, which is expected to benefit the Municipality in the form of more competitive pricing of tenders, as suppliers compete for the Okhahlamba business.

2.3.2 Free Basic Services: basic social services package for indigent households

The social package assists residents that have difficulty paying for services and are registered as indigent households in terms of the Indigent Policy of the Municipality. With the exception of rates, only registered indigents qualify for the free basic services.

2.4 Overview of budget related-policies

The Municipality budgeting process is guided and governed by relevant legislation, frameworks, strategies and related policies.

2.4.1 Collection rate for revenue services

The base assumption is that tariff and rating increases will increase at a rate slightly higher than CPI over the long term. It is also assumed that current economic conditions, and relatively controlled inflationary conditions, will continue for the forecasted term.

The rate of revenue collection is currently expressed as a percentage (60 %) of annual billings. Cash flow is assumed to be 60% of billings, plus an increased collection of arrear debt from the revised collection and credit control policy. The performance of arrear collections will however only be considered a source of additional cash in-flow once the performance has been carefully monitored.

2.4.2 Growth or decline in tax base of the municipality

Debtors revenue is assumed to increase at a rate that is influenced by the consumer debtors collection rate, tariff/rate pricing, real growth rate of the Municipality, household formation growth rate and the poor household change rate.

Household formation is the key factor in measuring municipal revenue and expenditure growth, as servicing 'households' is a greater municipal service factor than servicing individuals. Household formation rates are assumed to convert to household dwellings. In addition the change in the number of poor households influences the net revenue benefit derived from household formation growth, as it assumes that the same costs incurred for servicing the household exist, but that no consumer revenue is derived as the 'poor household' limits consumption to the level of free basic services.

2.4.3 Salary increases

The collective agreement regarding salaries/wages came into operation on 1 July 2014 and shall remain in force until 30 June 2015. Year three is an across the board increase of 6.89 %

2.4.4 Impact of national, provincial and local policies

Integration of service delivery between national, provincial and local government is critical to ensure focussed service delivery and in this regard various measures were implemented to

align IDPs, provincial and national strategies around priority spatial interventions. In this regard, the following national priorities form the basis of all integration initiatives:

To achieve these priorities integration mechanisms are in place to ensure integrated planning and execution of various development programs. The focus will be to strengthen the link between policy priorities and expenditure thereby ensuring the achievement of the national, provincial and local objectives.

2.4.5 Ability of the municipality to spend and deliver on the programmes

It is estimated that a spending rate of at least 80% is achieved on operating expenditure and 90% on the capital programme for the 2014/15 MTREF of which performance has been factored into the cash flow budget.

2.5 Overview of budget funding

2.5.1 Operating revenue, Loan and DORA Allocation

Figure 1 Sources of capital revenue for the 2012/13 financial year

Borrowing still remains a significant funding source for the capital programme estimated R15 million to be raised for each of the respective financial years totalling 9 per cent of the total funding of the capital budget for each of the respective financial years of the MTREF. As explained earlier, the borrowing capacity of the Municipality has essentially reached its limits and going forward borrowing limits will remain constant.

Table 21 MBRR Table SA 18 - Capital transfers and grant receipts

This table is attached on the A schedule Budget document

2.5.2 Cash Flow Management

Cash flow management and forecasting is a critical step in determining if the budget is funded over the medium-term. The table below is consistent with international standards of good financial management practice and also improves understandability for councillors and management. Some specific features include:

- Clear separation of receipts and payments within each cash flow category;
- Clear separation of capital and operating receipts from government, which also enables cash from 'Ratepayers and other' to be provided for as cash inflow based on actual performance. In other words the *actual collection rate* of billed revenue., and
- Separation of borrowing and loan repayments (no set-off), to assist with MFMA compliance assessment regarding the use of long term borrowing (debt).

Table 22 MBRR Table A7 - Budget cash flow statement

This table is attached on the A schedule Budget document

2.5.3 Cash Backed Reserves/Accumulated Surplus Reconciliation

This following table meets the requirements of MFMA Circular 72 which deals with the funding of a municipal budget in accordance with sections 18 and 19 of the MFMA. The table seeks to answer three key questions regarding the use and availability of cash.

A surplus would indicate the cash-backed accumulated surplus that was/is available. A shortfall (applications > cash and investments) is indicative of non-compliance with section 18 of the MFMA requirement that the municipality's budget must be 'funded'. Non-compliance with section 18 is assumed because a shortfall would indirectly indicate that the annual budget is not appropriately funded (budgeted spending is greater than funds available or to be collected). It is also important to analyse trends to understand the consequences, e.g. the budget year might indicate a small surplus situation, which in itself is an appropriate outcome, but if in prior years there were much larger surpluses then this negative trend may be a concern that requires closer examine

2.5.4 Funding compliance measurement

National Treasury requires that the municipality assess its financial sustainability against fourteen different measures that look at various aspects of the financial health of the municipality. These measures are contained in the following table. All the information comes directly from the annual budgeted statements of financial performance, financial position and cash flows. The funding compliance measurement table essentially measures the degree to which the proposed budget complies with the funding requirements of the MFMA. Each of the measures is discussed below.

Table 23 MBRR SA10 – Funding compliance measurement

This table is attached on the A schedule Budget document

2.5.4.1 Cash/cash equivalent position

The Municipality forecast cash position was discussed as part of the budgeted cash flow statement. A 'positive' cash position, for each year of the MTREF would generally be a minimum requirement, subject to the planned application of these funds such as cash-backing of reserves and working capital requirements.

2.5.4.2 Cash plus investments less application of funds

The purpose of this measure is to understand how the municipality has applied the available cash and investments as identified in the budgeted cash flow statement. The detail reconciliation of the cash backed reserves/surpluses is contained in Table 25, on page 25. The reconciliation is intended to be a relatively simple methodology for understanding the budgeted amount of cash and investments available with any planned or required applications to be made. This has been extensively discussed above.

2.5.4.3 Monthly average payments covered by cash or cash equivalents

The purpose of this measure is to understand the level of financial risk should the municipality be under stress from a collection and cash in-flow perspective. Regardless of the annual cash position an evaluation should be made of the ability of the Municipality to meet monthly payments as and when they fall due

2.5.4.4 Surplus/deficit excluding depreciation offsets

The main purpose of this measure is to understand if the revenue levels are sufficient to conclude that the community is making a sufficient contribution for the municipal resources consumed each year. An 'adjusted' surplus/deficit is achieved by offsetting the amount of depreciation related to externally funded assets. Municipalities need to assess the result of this calculation taking into consideration its own circumstances and levels of backlogs. If the outcome is a deficit, it may indicate that rates and service charges are insufficient to ensure that the community is making a sufficient contribution toward the economic benefits they are consuming over the medium term. For the 2014/15 MTREF the indicative outcome is a surplus of R6 million.

It needs to be noted that a surplus does not necessarily mean that the budget is funded from a cash flow perspective and the first two measures in the table are therefore critical.

2.5.4.5 Property Rates/service charge revenue as a percentage increase less macro inflation target

The purpose of this measure is to understand whether the municipality is contributing appropriately to the achievement of national inflation targets. This measure is based on the increase in 'revenue', which will include both the change in the tariff as well as any assumption about real growth such as new property development, services consumption growth etc.

The factor is calculated by deducting the maximum macro-economic inflation target increase (which is currently 6.2%). The result is intended to be an approximation of the real increase in revenue. From the table above it can be seen that the percentage growth totals 6.2% for the respective financial year of the 2014/15 MTREF. Considering the lowest percentage tariff increase in relation to revenue generated from rates and services charges is 9 per cent, with the increase in electricity at 19 per cent it is to be expected that the increase in revenue will exceed the inflation target figures. However, the outcome is lower than it might be due to the slowdown

in the economy and a reduction in consumption patterns. This trend will have to be carefully monitored and managed with the implementation of the budget.

2.5.4.6 Cash receipts as a percentage of ratepayer and other revenue

This factor is a macro measure of the rate at which funds are 'collected'. This measure is intended to analyse the underlying assumed collection rate for the MTREF to determine the relevance and credibility of the budget assumptions contained in the budget. It can be seen that the outcome is at 95.2, 95.3 and 95.6% for each of the respective financial years. Given that the assumed collection rate was based on a 95 % performance target, the cash flow statement has been conservatively determined. In addition the risks associated with objections to the valuation roll need to be clarified and hence the conservative approach, also taking into consideration the cash flow challenges experienced in the current financial year. This measure and performance objective will have to be meticulously managed. Should performance with the mid-year review and adjustments be positive in relation to actual collections of billed revenue, the adjustments budget will be amended accordingly.

2.5.4.7 Debt impairment expense as a percentage of billable revenue

This factor measures whether the provision for debt impairment is being adequately funded and is based on the underlying assumption that the provision for debt impairment (doubtful and bad debts) has to be increased to offset under-collection of billed revenues. The provision has been appropriated at 4.1, 4.0 and 4.0 % over the MTREF. Considering the debt incentive scheme and the municipality's revenue management strategy's objective to collect outstanding debtors of 90 days, the provision is well within the accepted leading practice.

2.5.4.8 Capital payments percentage of capital expenditure

The purpose of this measure is to determine whether the timing of payments has been taken into consideration when forecasting the cash position. It can be seen that a 2 per cent timing discount has been factored into the cash position forecasted over the entire financial year. The municipality aims to keep this as low as possible through strict compliance with the legislative requirement that debtors be paid within 30 days.

2.5.4.9 Borrowing as a percentage of capital expenditure (excluding transfers, grants and contributions)

The purpose of this measurement is to determine the proportion of a municipality's 'own-funded' capital expenditure budget that is being funded from borrowed funds to confirm MFMA compliance. Externally funded expenditure (by transfers/grants and contributions) has been excluded. It can be seen that borrowing equates to 9 per cent of own funded capital

2.5.4.10 Transfers/grants revenue as a percentage of Government transfers/grants available

The purpose of this measurement is mainly to ensure that all available transfers from national and provincial government have been budgeted for. A percentage less than 100 per cent could indicate that not all grants as contained in the Division of Revenue Act (DoRA) have been budgeted for. The Municipality has budgeted for all transfers.

2.5.4.11 Consumer debtors change (Current and Non-current)

The purpose of these measures is to ascertain whether budgeted reductions in outstanding debtors are realistic. There are 2 measures shown for this factor; the change in current debtors and the change in long term receivables, both from the Budgeted Financial Position. Both measures show a relatively stable trend in line with the Municipal policy of settling debtors accounts within 30 days.

2.5.4.12 Repairs and maintenance expenditure level

This measure must be considered important within the context of the funding measures criteria because a trend that indicates insufficient funds are being committed to asset repair could also indicate that the overall budget is not credible and/or sustainable in the medium to long term because the revenue budget is not being protected.

2.5.4.13 Asset renewal/rehabilitation expenditure level

This measure has a similar objective to aforementioned objective relating to repairs and maintenance. A requirement of the detailed capital budget (since MFMA Circular 28 which was issued in December 2005) is to categorise each capital project as a new asset or a renewal/rehabilitation project. The objective is to summarise and understand the proportion of budgets being provided for new assets and also asset sustainability. A declining or low level of renewal funding may indicate that a budget is not credible and/or sustainable and future revenue is not being protected, similar to the justification for 'repairs and maintenance' budgets. Further details in this regard are contained in Table 59 MBRR SA34b on page 89.

2.6 Expenditure on grants and reconciliations of unspent funds

Table 24 MBRR SA19 - Expenditure on transfers and grant programmes

This table is attached on the A schedule Budget document

Table 25 MBRR SA 20 - Reconciliation between of transfers, grant receipts and unspent funds

This table is attached on the A schedule Budget document

2.7 Councillor and employee benefits

Table 26 MBRR SA22 - Summary of councillor and staff benefits

This table is attached on the A schedule Budget document

Table 27 MBRR SA23 - Salaries, allowances and benefits (political office bearers/councillors/ senior managers)

This table is attached on the A schedule Budget document

(Note that National Treasury has deliberately left the above table blank so as not to appear to be setting benchmarks for acceptable remuneration levels for the relevant positions. Municipalities **MUST**, however, provide the required information as applicable to their municipalities)

Table 28 MBRR SA24 – summary of personnel numbers

2.8 Monthly targets for revenue, expenditure and cash flow

Table 29 MBRR SA25 - Budgeted monthly revenue and expenditure

This table is attached on the A schedule Budget document

Table 30 MBRR SA26 - Budgeted monthly revenue and expenditure (municipal vote)

This table is attached on the A schedule Budget document

Table 31 MBRR SA27 - Budgeted monthly revenue and expenditure (standard classification)

This table is attached on the A schedule Budget document

Table 32 MBRR SA28 - Budgeted monthly capital expenditure (municipal vote)

This table is attached on the A schedule Budget document

Table 33 MBRR SA29 - Budgeted monthly capital expenditure (standard classification)

This table is attached on the A schedule Budget document

Table 34 MBRR SA30 - Budgeted monthly cash flow

This table is attached on the A schedule Budget document

2.9 Annual budgets and SDBIPs – internal departments

2.10 Contracts having future budgetary implications

In terms of the Okhahlamba Local Municipality Supply Chain Management Policy, no contracts are awarded beyond the medium-term revenue and expenditure framework (three years). In ensuring adherence to this contractual time frame limitation, all reports submitted to either the Bid Evaluation and Adjudication Committees must obtain formal financial comments from the Financial Management Division of the Treasury Department.

2.11 Capital expenditure details

The following three tables present details of the Municipal capital expenditure programme, firstly on new assets, then the renewal of assets and finally on the repair and maintenance of assets.

Table 35 MBRR SA 34a - Capital expenditure on new assets by asset class

This table is attached on the A schedule Budget document

Table 36 MBRR SA34b - Capital expenditure on the renewal of existing assets by asset class

This table is attached on the A schedule Budget document

Table 37 MBRR SA34c - Repairs and maintenance expenditure by asset class

This table is attached on the A schedule Budget document

Table 38 MBRR SA35 - Future financial implications of the capital budget

Table 39 MBRR SA36 - Detailed capital budget per municipal vote

This table is attached on the A schedule Budget document

Table 62 MBRR 36: Detailed capital budget per municipal vote (continued)

This table is attached on the A schedule Budget document

Table 62 MBRR SA36: Detailed capital budget per municipal vote (continued)

This table is attached on the A schedule Budget document

Table 62 MBRR SA36: Detailed capital budget per municipal vote (continued)

This table is attached on the A schedule Budget document

Table 40 MBRR SA37 - Projects delayed from previous financial year

This table is attached on the A schedule Budget document

2.12 Legislation compliance status

Compliance with the MFMA implementation requirements have been substantially adhered to through the following activities:

1. In year reporting
Reporting to National Treasury in electronic format was fully complied with on a monthly basis. Section 71 reporting to the Executive Mayor (within 10 working days) has progressively improved and includes monthly published financial performance on the Municipal website.
2. Internship programme
Okhahlamba is participating in the Municipal Financial Management Internship programme and has employed five interns undergoing training in various divisions of the Finance Department. Of the five interns one has been appointed permanently from January 2009. The remaining four have completed their two year contract on 28 February 2012, and extension for one year has been granted by National Treasury. Since the introduction of the Internship programme the City has successfully employed and trained 33 interns through this programme and a majority of them were appointed either in the City or other Institutions such as KPMG, Ernest & Young, SARS, Auditor General, and National Treasury. Three additional interns have been appointed with effect from October 2013.
3. Budget and Treasury Office
The Budget and Treasury Office has been established in accordance with the MFMA.
4. Audit Committee
An Audit Committee has been established and is fully functional.
5. Service Delivery and Implementation Plan
The detail SDBIP document is at a draft stage and will be finalised after approval of the 2014/15 MTREF in May 2014 directly aligned and informed by the 2014/15 MTREF.
6. Annual Report
Annual report is compiled in terms of the MFMA and National Treasury requirements.
7. MFMA Training
The MFMA training is ongoing.
8. Policies
An amendment of the Municipal Property Rates Regulations as published in Government Notice 363 of 27 March 2009, was announced in Government Gazette 33016 on 19 March 2014. The ratios as prescribed in the Regulations have been complied with.

2.13 Other supporting documents

Table 41 MBRR Table SA1 - Supporting detail to budgeted financial performance

This table is attached on the A schedule Budget document

**Table 64 MBRR Table SA1 - Supporting detail to budgeted financial performance
(Continued)**

This table is attached on the A schedule Budget document

Table 42 MBRR Table SA2 – Matrix financial performance budget (revenue source/expenditure type and department)

This table is attached on the A schedule Budget document

Table 43 MBRR Table SA3 – Supporting detail to Statement of Financial Position

This table is attached on the A schedule Budget document

Table 44 MBRR Table SA9 – Social, economic and demographic statistics and assumptions

This table is attached on the A schedule Budget document

Table 45 MBRR SA32 – List of external mechanisms

This table is attached on the A schedule Budget document

2.14 Municipal manager's quality certificate

I Siza Sibande, municipal manager of Okhahlamba Local Municipality, hereby certify that the annual budget and supporting documentation have been prepared in accordance with the Municipal Finance Management Act and the regulations made under the Act, and that the annual budget and supporting documents are consistent with the Integrated Development Plan of the municipality.

Print Name Siza D. Sibande

Municipal manager of Okhahlamba Local Municipality (KN 235)

Signature _____

Date 01/04/2014